

# SENATE STAFF ANALYSIS AND ECONOMIC IMPACT STATEMENT

(This document is based on the provisions contained in the legislation as of the latest date listed below.)

BILL: SB 80-C

SPONSOR: Senator Pruitt

SUBJECT: Intangibles Tax

DATE: December 3, 2001

REVISED: \_\_\_\_\_

	ANALYST	STAFF DIRECTOR	REFERENCE	ACTION
1.	<u>Fournier</u>	<u>Johansen</u>	<u>FT</u>	<u>Favorable</u>
2.	_____	_____	_____	_____
3.	_____	_____	_____	_____
4.	_____	_____	_____	_____
5.	_____	_____	_____	_____
6.	_____	_____	_____	_____

## I. Summary:

This bill postpones increases in the intangibles tax standard exemptions for natural persons and married couples filing jointly, and a new \$250,000 exemption for taxpayers that are not natural persons, from January 1, 2002 until July 1, 2003. At that time the exemption for natural persons will increase from \$20,000 to \$250,000 and for married couples from \$40,000 to \$500,000, and other taxpayers will receive a \$250,000 exemption. The new exemptions will apply to taxes due in 2004. The bill also authorizes the Department of Revenue to adopt emergency rules to implement these changes.

This bill substantially amends, creates, or repeals the following sections of the Florida Statutes: 199.185.

## II. Present Situation:

Florida's tax on intangible personal property was enacted in 1931, and it is a tax on "all personal property which is not in itself intrinsically valuable, but which derives its chief value from that which it represents." (s. 199.023(1), F.S.) Taxable intangible personal property includes, among other things, stocks, bonds, notes, and other obligations to pay money. (s. 199.023, F.S.) The tax rate is 1 mill, or \$1 per every \$1,000 taxable assets.

The intangible tax is paid annually and is based on the value of assets as of January 1. (s. 199.103, F.S.) The return is due by June 30, with discounts for early payment. (s. 199.042, F.S.) The tax is paid by all "persons" (natural and non-natural), which term includes any individual, firm, partnership, joint adventure, syndicate, or other group or combination acting as a unit, association, corporation, estate, trust, business trust, trustee, personal representative, receiver, or other fiduciary, unless such persons are exempted from the tax. (s. 199.023(3), F.S.) The tax

must be paid by all corporations that own, control, or manage intangible personal property that has a taxable situs within the state. (s. 199.052(1), F.S.)

Chapter 2001-225, L.O.F, amended s. 199.185, F.S., to provide that, beginning January 1, 2002, every natural person is entitled each year to an exemption of the first \$250,000 of the value of property otherwise subject to the annual tax. A husband and wife filing jointly have an exemption of \$500,000. Other taxpayers receive an exemption of \$250,000. Prior to this date, the standard exemption levels are \$20,000 for a natural person and \$40,000 for a married couple, with other taxpayers receiving no standard exemption.

### **III. Effect of Proposed Changes:**

This bill postpones until July 1, 2003, increases in the intangibles tax exemption for natural persons and married couples filing jointly, and a new \$250,000 exemption for taxpayers that are not natural persons, that are scheduled to take effect January 1, 2002. The exemption for natural persons is scheduled to increase from \$20,000 to \$250,000 and for married couples from \$40,000 to \$500,000. The new exemptions will first apply to taxes due in 2004. The bill also authorizes the Department of Revenue to adopt emergency rules to implement the changes.

### **IV. Constitutional Issues:**

#### **A. Municipality/County Mandates Restrictions:**

None.

#### **B. Public Records/Open Meetings Issues:**

None.

#### **C. Trust Funds Restrictions:**

None.

### **V. Economic Impact and Fiscal Note:**

#### **A. Tax/Fee Issues:**

This bill will increase General Revenue by \$128.0 million in FY 2001-02 and \$159.5 million in FY 2002-03.

#### **B. Private Sector Impact:**

This bill maintains until July 1 2003 the intangibles tax exemption levels that were provided prior to January 1, 2002.

**C. Government Sector Impact:**

This bill authorizes the Department of Revenue to adopt emergency rules to implement the changes the bill makes to intangibles tax exemptions.

**VI. Technical Deficiencies:**

None.

**VII. Related Issues:**

None.

**VIII. Amendments:**

None.

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This Senate staff analysis does not reflect the intent or official position of the bill's sponsor or the Florida Senate.

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